

Health Benefit Exchange and the Small Business Market: Public Meeting
Nevada Division of Health Care Financing and Policy (DHCFP)
Cashman Convention Center, 850 North Las Vegas Boulevard, Las Vegas, Nevada
Wednesday, April 27, 2011 1:00 PM – 3:00 PM
Notes from Meeting: Q&A

I. The Small Business Exchange Presentation

- Speakers:
 - Gloria Macdonald, CPA – Project Manager for Health Care Reform, Division of Health Care Financing and Policy (DHCFP)
 - Bob Carey – Senior Advisor, Public Consulting Group (PCG)
 - Brett Barratt – Nevada Insurance Commissioner

II. Questions/Comments

- **Dan Heffley, Independent Licensed Health Insurance Producer**
 - Comment: With regards to plan purchasing models inside the Exchange, I would strongly recommend the second model (one carrier, multiple plans) over the third (multiple carriers, one plan level), mainly because we need to keep it simple.
 - There are already insurance carriers offering multiple plans and there would be increased costs for the Exchange. If you allow the same plan across multiple carriers, as people come off, there is going to be extra work involved. There is an increased cost to the carriers and also personnel at the small companies – will have to keep track of more than one company's plan.
 - Question: Are the Division of Insurance and other stakeholders looking into private Exchanges?
 - Answer: We have not discussed private exchanges. Our task is to implement this public exchange or the federal government will implement the Exchange for us. There are private Exchanges out there functioning today, but those are Exchanges that the Division of Insurance (DOI) does not regulate, other than if they sell a plan in Nevada – it would have to go through Nevada law and prior approval and meet the state mandates.
 - Question: You mentioned that there are Exchanges already. Is that in Nevada or is that referring to other states?
 - Answer: There are shopping sites where you can purchase plans in Nevada today. The plans are regulated by the DOI, but the Exchange itself is not. These are sites like GetInsured.com or E-HealthInsurance.com.
 - How they work is that you fill out a certain amount of information, and in some states it functions like an Exchange in the sense that you get the range of carriers from which to choose.
 - The big distinction between the private Exchange and the Exchange under the ACA is that the Exchange under the ACA is going to be facilitating premium subsidies and reduced cost sharing for some people, which is very different from private Exchanges, which are really a distribution network, like the Expedia of health insurance.

- Another difference between the private Exchange and what is being implemented under the ACA is that in order for a plan to be sold through the Exchange, it would need to be essentially certified by the Exchange as meeting the essential benefits, which we are still waiting for those definitions. We also have to make certain that the plan hits one of the four tiers of actuarial value.
- **Bob Bishop, Kia Insurance**
 - Question: Can you expand a little on what was previously mentioned about trying to find a type of industry that has the highest uninsured?
 - Answer: We recognize that in order for the Exchange to be effective, we need uninsured people participating in the Exchange, so we need to get the word out and make people aware that the Exchange is available. We are gathering data through the carriers and through Medicaid, as well as other sources, to determine where the uninsured populations are and how can we best reach them to inform them about the Exchange.
 - Comment: It is not necessarily an industry. It is the amount of wages that people are paid that defines the uninsured.
 - Question: What are we doing with all the illegal immigrants and how will they be affected?
 - Answer: You will need to be verified as a US citizen in order to participate in the Exchange. This will be verified through Homeland Security, and the Exchange will also be connected to the IRS and HHS.
- **Joe Hernandez, representing Nevada Independent Insurance Agents**
 - Question: How is the Exchange going to affect the broker community? Should brokers be worried that our clients are going to gravitate over to the Exchange and that we will not have products to sell to them?
 - Answer: The law provides a role for the broker, but the specifications are yet to be determined. This is one of many regulations that Federal government will issue.
 - The Nevada Exchange will have to determine how to best collaborate with brokers to sell coverage through the Exchange.
 - There is clearly a provision in the law that applies to the role of the broker and how the broker would operate in the Exchange environment. The law also says that health plans sold inside and outside the Exchange shall be priced equally, so there will not be exclusivity of plans sold through the Exchange. It is not as if going through the Exchange would necessarily facilitate a lower premium than you might receive outside of the Exchange.
 - Question: At some point there if going to be an adjustment in the premiums, does that mean that everyone else also needs to adjust their premiums?
 - Answer: To clarify, the Exchange is not a separate risk pool. The Exchange is simply a vehicle through which health plans will offer coverage to the individual and group market, so the premiums include the entire market, both inside and outside of the Exchange.
 - Question: Brokers are losing out because of the new MLR regulations. Will there be a provision for brokers to be compensated through the Exchange?

- Answer: The state will need to figure out what the role of the broker will be are how they are going to be compensated in the Exchange delivery model. There needs to be a compensation model for people that are helping the Exchange enroll individuals in coverage – this is how it works in Connecticut, Massachusetts, and Utah.
 - In privately operated Exchanges, brokers are used to sell insurance as well, and I would anticipate that this is how it will also be done in Nevada.
 - Comment: The provision also mentions navigators. I would hope that the Department of Insurance (DOI) would require that an individual have to be licensed to be a navigator
 - Answer: The HHS will also issue guidance on the role of the navigator.
 - If you have not already gone to our website, we do have issue papers regarding the brokers, the commercial market and other areas. The address is DHHS.NV.GOV. As far as the brokers and the navigators, HHS is not yet forthcoming in a lot of these things. Part of what the bill includes is that the states need to partner and cooperate with the current resources.
 - We are not going to be building this Exchange from the ground up and employ thousands of people to do all of the things that are already being done out there. Presumably we are going to be partnering, and maybe procuring services, to develop whatever this ends up being.
 - You are not alone in your concerns - What we have been saying all along is that the Exchange will not work without brokers. Brokers have to be involved. The Division of Insurance cannot do what brokers do. Brokers do deserve to be paid a professional fee for their professional work. Exactly what the compensation package looks like will need to be worked on once the Exchange is set up with its board of directors. The reality is that it will not function without the involvement of agents and brokers.
- **Dwight Mazzone, Nevada State Association of Underwriters and Independent Producers**
- Comment: Massachusetts and Utah bought a block of businesses. That is the only reason why they have lives in their Exchanges, and Utah only has 2,500 people after very many years.
 - Also, it appears that PPACA and the Exchange are going to dictate back to the carriers what their risk pool is going to be and how they have to operate. I don't think that's a good approach because the carriers have their own way of managing their block of business.
 - We know that the cost of healthcare insurance is directly related to the cost of health care, but there is nothing in the bill or the Exchange that talks about the cost of healthcare.
 - Answer: The bill does address the cost of healthcare. It talks about methodologies that are going to be introduced, so it isn't just about creating the Health Insurance Exchange. It is also about other provider-oriented approaches, payment methodologies, incentives that HHS is trying to use to encourage healthy behavior, etc. It remains to be seen whether or not it will be successful.
 - Comment: ACOs are not going to work in the United States. I challenge the idea that we can create an Exchange under models that are currently out there. Also,

this is the fourth meeting that we have had and we continue to talk about the same issues.

- Answer: What we are doing right now by holding these forums is mandated through the grant. We received a million dollar grant to beginning the planning of the health insurance Exchange. We are performing the grant activities, which include holding public stakeholder meetings to educate the public and receive comments and start to build stakeholder contacts.
 - As mentioned earlier, we are starting to work on the strategic plan, which is also part of the grant activities. We are already working behind the scenes with the consultant to develop what our eligibility engine is going to look like. We are doing that planning and moving towards getting an RFP out at the end of the year for the eligibility engine component.
 - At the end of June we hope to have our completed grant application for the next series of federal funding that is going to fund the establishment of the Exchange.
 - There are many people participating across divisions and departments within the state that are working feverishly to try and determine how to create this Exchange.
 - We are communicating with other states, and we are talking with all the other Exchanges. We are trying to talk with the federal government and get guidance from them. All of these meetings, while they may be redundant at times, are expressing the needs of our residents and letting us know that things need to be done in a certain way. If you did not come to all of these meetings, then we would be at a disadvantage.
- Comment: We are up against several serious timelines. I understand that Sebelius' office is not being helpful, and we do not expect to have anything out of them until the end of this year, correct?
- Answer: We expect to hear in late spring. Also, a point of clarification to your earlier comment. The Massachusetts Health Connector covers 230,000 people. The smallest group portion of that is about 30,000, and you are correct, it was a purchased block of business. I think 90 percent was a purchased block of business.
 - The SHOP Exchange that we are going talking is not this. It is quite different from the individual Exchange, and if you look at who is going to be purchasing coverage through the Exchange, it will be a dominant individual market. That is where the tax subsidies are, at the individual level. There are some subsidies for employers who employ low wage workers.
- Question: If the Massachusetts Connector is successful, why isn't it profitable and able to run by itself? Why is there so much money in the hole in Medicare in Massachusetts?
- Answer: The Connector does run by itself and Medicaid is in the hole, not Medicare. Every state has a hole, and I want to distinguish between the Connector's operations and your contention that it only covers a small segment of the population. I would suggest that the individual Exchange will be a dominant portion of the market once the Exchange is up and running. Utah may not have very many participants, but we like the concept of the Utah model. With regard to the comment about the federal government dictating risk management of the insured, that is not happening today. The insurance companies are still regulated by the

states, and the federal government is not telling them what plans to offer and how to manage their risk.

– **Len Barend, Barend Agency**

- Comment: A number of years ago, a group of us started a healthcare reform act for the State of Nevada. We were able to talk, in concept, from 85 percent to 95 percent without adding any more costs to the state, but the Legislature did not pass it. My concern with the Exchange is that we are trying to reinvent the wheel when we do not have to. We have a state law that says that employers must pay 50 percent – I see no reason to change that. We also have a law that says 75 percent participation in the small group.
 - The Exchange models that have been shown today will create major billing issues, and the current billing method works. There does not appear to be any logical reason for the State to intervene, other than to ensure that the Exchange is moving forward.
- Answer: Comments noted.

– **Melissa Amaon, Kia Insurance**

- **Question:** Earlier you had said that you did not see a mass exodus from the employer sponsorship when the Connector was established – employers were not dropping insurance and letting their employees go to the Connector. Could the reason for this be because the plans that were available through the Connector were not as attractive to individuals as what employers were offering?
- **Answer:** No, I do not think this was the reason why there was not a mass departure from employer-sponsored insurance. There are two important divisions of the Massachusetts law that maintain coverage - the individual mandate, and if you are an employer of over ten employees, you are taxed if you do not provide coverage. The reason why employers offer coverage, even before the penalty was introduced, was to attract employees. It is a tool. I do not see anything in the law that would suggest suddenly there would be a mass exodus of employers from offering coverage, and it was not the coverage available through the Mass connector that was less robust. In fact, it was probably richer in some respects than what was being offered by some employers.
- Today you are seeing people leave because it is too expensive, and most likely this will continue to be the case unless something is done about cost.

– **Dan Heffley, NAHU**

- Question: Once the Department and Health and Human Services releases the essential health benefits, does Nevada have to go to Session in order to remove all our state mandates that are not included in the essential benefits package?
- Answer: Yes. The main idea is that if the state mandates go beyond what the federal government considers the essential benefits, the State will have to pay for the cost of those mandates for anyone purchasing coverage through the Exchange.

– **Dwight Mazzone, Nevada State Association of Underwriters and Independent Producers**

- Question: Do you think there would be a waiver on the mandates?
- Answer: There could be. There may be a transition period, but that is unsure.

– **Tim DeRosa**

- Question: Did you say that private exchanges are exempt from the essential health benefits provisions in the law?
- Answer: In order for a plan to be eligible to be sold through the Exchange, the plan will need to be certified by the Exchange. This is not the case with private exchanges. Plans sold through private exchanges will need to meet the essential health benefits, but they do not necessarily need to meet the actuarial value tier set up within the Exchange.

III. Conclusion

- The next meeting will be in Carson City on May 24th, where we will discuss the role Medicaid and the Exchange.